

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 8797

INFO USDOC WASHDC

C O N F I D E N T I A L CARACAS 8107

COMMERCE FOR MEPD'S OIM

E.O. 11652: GDS

TAGS: EFIN, BBAK, VE

SUBJECT: BANCO NACIONAL DE DESCUENTO

REF: CARACAS 6891; STATE 034533; STATE 188605

1. WE TOO HAVE HEARD RUMORS THAT BANCO NACIONAL DE DESCUENTO (BND) WAS OVEREXTENDED AND MAY BE IN DIFFICULTY BECAUSE OF A LACK OF LIQUIDITY. THESE RUMORS STARTED TO CIRCULATE ABOUT SIX WEEKS AGO. THE ECONOMIC COUNSELLOR OF THE GERMAN (FRG) EMBASSY TOLD US THAT HE HAD ADVISED LENDERS TO PROCEED WITH CAUTION WITH BND. SUBSEQUENT DISCREET INQUIRIES WITHIN THE BANKING COMMUNITY AND AMONG GOVERNMENT OFFICIALS PRODUCED THE FOLLOWING CONSENSUS.

2. BND HAS ALWAYS BEEN ONE OF THE MORE VENTURESOME BANKING INSTITUTIONS IN VENEZUELA. SEVERAL YEARS AGO THIS BANK REPORTEDLY WAS UNABLE TO MEET ALL ITS COMMITMENTS AND HAD TO GET HELP FROM THE CENTRAL BANK. BND'S LIQUIDITY IS CURRENTLY AT LOWEST LEVEL OF ANY OF 22 MAJOR LOCAL BANKS.

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3. THE BANK NOW PROBABLY IS OVEREXTENDED. IT WAS ONE OF THREE BANKS CONSIDERED MOST AFFECTED BY THE RECENTLY ANNOUNCED ANTI-INFLATION MEASURES (CARACAS 6891, DATED JULY 11, 1977) BECAUSE IT HAS HEAVY COMMITMENTS IN REAL ESTATE AND CONSUMER FINANCING, IS DEPENDENT ON DEPOSITS BY FOREIGN BANKS AND THE GOVERNMENT OF VENEZUELA TO SUPPLY LENDABLE FUNDS, AND IS INVOLVED IN A

CREDIT CARD OPERATION WHICH HAS BEEN VERY PROFITABLE
UP UNTIL NOW BUT WHICH WILL BE SHARPLY CURTAILED UNDER
THE NEW MEASURES.

4. A KNOWLEDGEABLE GOV OFFICIAL PRIVATELY ASSURED US THE
GOV WOULD NOT ALLOW BND OR ANY OTHER MAJOR BANK GET INTO
SERIOUS DIFFICULTY. ASSISTANCE WOULD BE AVAILABLE AS REQUIRED.
LEADING FINANCIAL FIGURES, INCLUDING THE PRESIDENT OF THE
CENTRAL BANK, HAVE MADE PUBLIC STATEMENTS DURING THE PAST
TWO WEEKS THAT GOVERNMENT FACILITIES (E.G., REDISCOUNT WINDOW)
WOULD BE AVAILABLE TO ANY BANK SERIOUSLY IMPACTED BY THE
NEW MEASURES. BND REPORTEDLY IS TIGHTENING UP CREDIT
POLICY AND, ALONG WITH MANY OTHER BANKS, HAS ASKED CLIENTS
TO ACCEPT A 20 PERCENT REDUCTION IN THEIR LINES OF CREDIT.

5. THE VENEZUELAN BANKING COMMUNITY IS GOING THROUGH A
DIFFICULT PERIOD BECAUSE OF THE VASTLY INCREASED DEMAND FOR
CREDIT AND THE RELATIVELY STRINGENT MEASURES DESIGNED
TO REDUCE THE SUPPLY OF LIQUIDITY IN THIS OVERHEATED
ECONOMY. BASED ON THE INFORMATION AT HAND, BND IS IN MORE
DIFFICULTY THAN MANY OTHER BANKS. IF WE TAKE PUBLIC AND
PRIVATE GOV STATEMENTS AT FACE VALUE, HELP WILL BE
AVAILABLE IF NEEDED AND THERE IS LITTLE LIKLIHOOD THIS
BANK WILL NOT BE ABLE TO MEET ITS COMMITMENTS DURING THE
COMING MONTHS. THIS IS ESPECIALLY TRUE SINCE BND'S
LEADERSHIP INCLUDES A FORMER MINISTER OF FINANCE
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AND OTHER DISTINGUISHED VENEZUELAN PERSONALITIES.
THEY HAVE THE NECESSARY DIRECT ACCESS TO GOV
LEADERSHIP TO ENSURE THE BANK WILL BE PROTECTED.

6. EMBASSY TRANSMITTING COPY OF MOST RECENT BND
STATEMENT TO DEPARTMENT VIA AIRGRAM.

7. ABOVE INFORMATION IS INTERNAL EMBASSY ASSESSMENT
BASED ON CONFIDENTIAL DISCUSSIONS WITH VARIOUS
INFORMED PEOPLE. ASSESSMENT SHOULD NOT BE MADE
PUBLIC, NOR SHOULD ANY FACTUAL INFORMATION CONTAINED
THEREIN BE ATTRIBUTED TO EMBASSY SOURCES.
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Message Attributes

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